

JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON HEALTH AND HUMAN SERVICES



Division of Medical Assistance Medicaid Budget Update

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Finance

December 9, 2014

Agenda



- I. SFY15 YTD Total Expenditure Analysis
- II. Checkwrite Expenditures YTD
- III. State Plan Amendments Update
- IV. Pharmacy Analysis and Overview
- V. Finance Organization Realignment

SFY15 YTD Total Expenditure Analysis



SFY15 YTD spending represents 32.8% of full-year appropriations budget

OCTOBER YTD EXPENDITURE COMPARISON vs. BUDGET (\$ millions)

	SFY15 YTD	SFY15B	% of BUDGET
Requirements	4,832	14,147	34.2%
Nonrecurring funds for Medicaid budget shortfall	(20)	(400)	5.0%
Normalized total requirements	4,812	13,747	35.0%
Revenues	3,644	10,410	35.0%
Nonrecurring funds for Medicaid budget shortfall	(13)	(263)	4.9%
Normalized total receipts	3,631	10,147	35.8%
Enacted appropriations	1,188	3,737	31.8%
Nonrecurring funds for Medicaid budget shortfall	(7)	(137)	5.1%
Continuing appropriations	1,181	3,600	32.8%

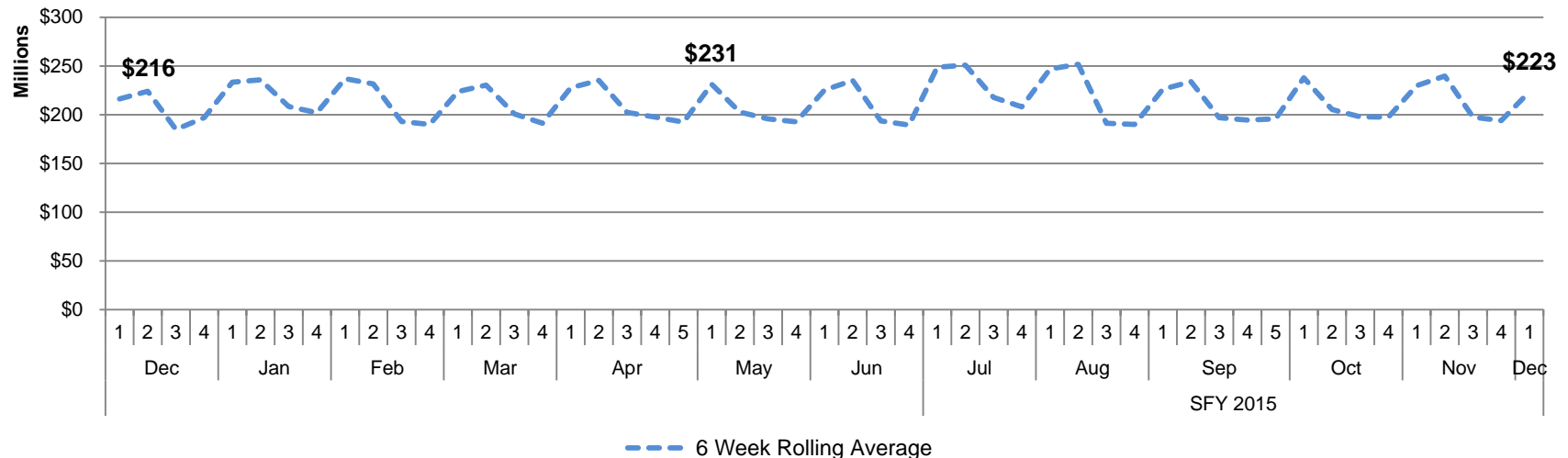
Compares favorably to SFY14, where YTD total appropriations through October were 34.4% of year-end budget; and in contrast to SFY13, where YTD total appropriations through October were 41.0% of year-end budget

Checkwrite Expenditures YTD



CHECKWRITE ANALYSIS THROUGH DECEMBER 2

SFY'14 / SFY'15 YTD Checkwrite Payments by Month



YEAR-OVER-YEAR COMPARISON

- Overall Medicaid and Health Choice YTD SFY2015 claim payments continue to remain relatively constant compared to latest twelve months
- As expected, first weekly checkwrite for December reflected a lower amount of paid claims across all major Categories of Service as a result of Thanksgiving holiday

State Plan Amendments Update



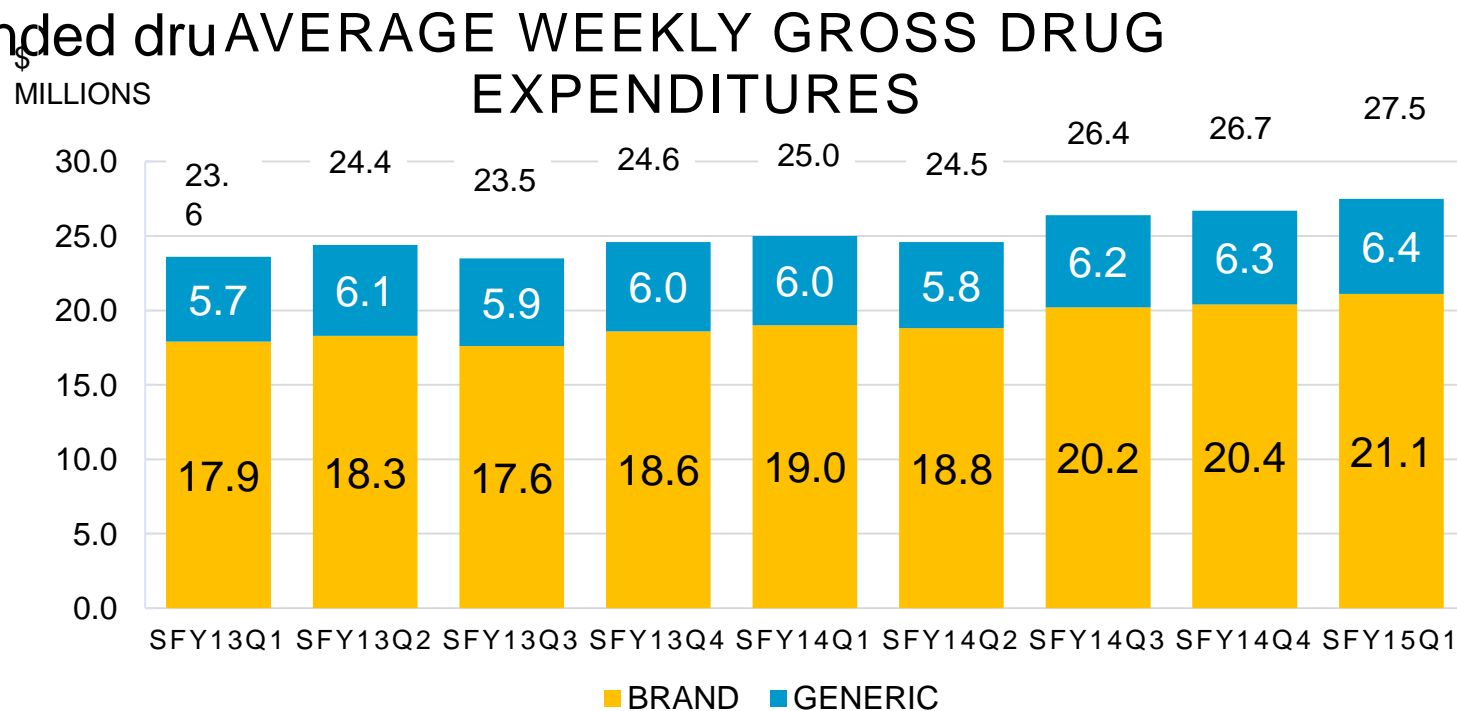
SL 2014-100

- 31 out of 31 SPAs submitted to CMS
 - 26 effective January 1, 2015
 - 27 SPAs linked to cost/budget savings
- 8 CMS Informal Requests for Additional Information received
 - 4 responses submitted

Gross Pharmacy Expenditure Trends



- Average weekly gross drug expenditures increased from \$23.7M to \$27.5M, or about 16%, over last two years
- Over 80% of gross drug expenditure increase has been driven by branded drugs



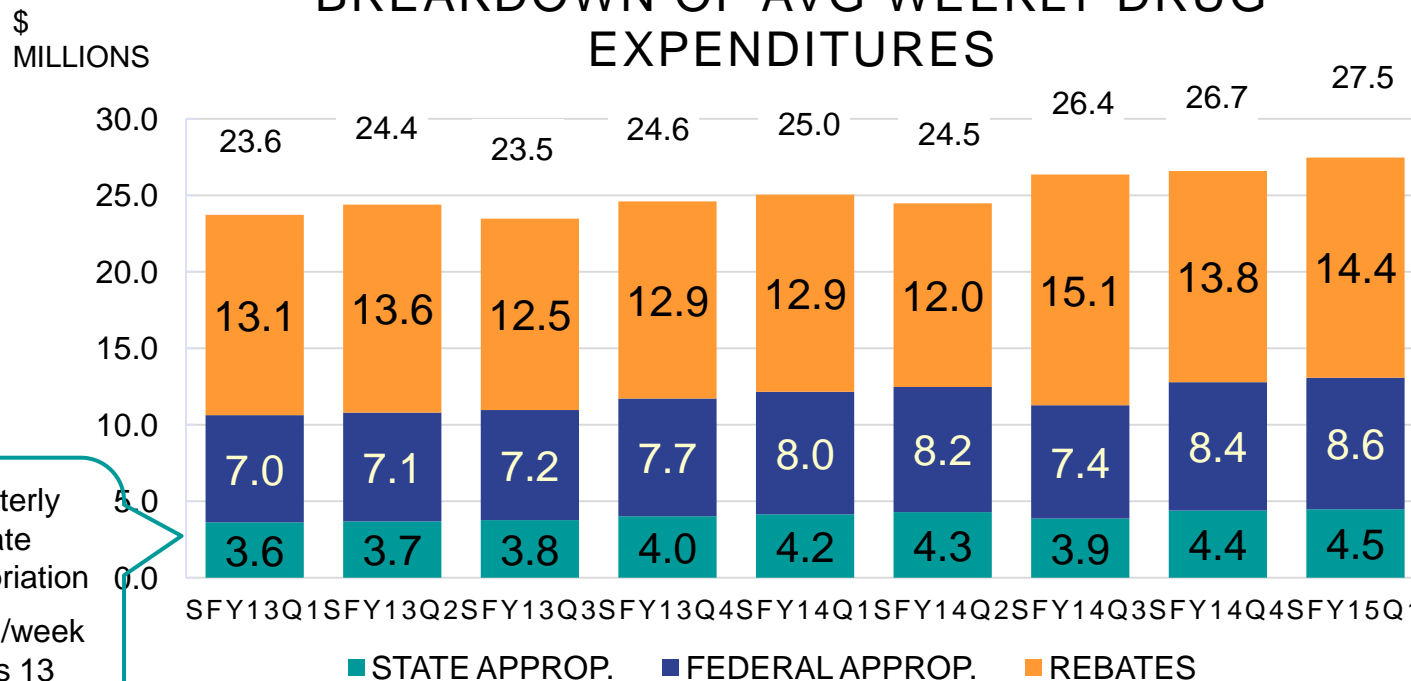
Expenditure data from BD701; to allow for most meaningful comparisons, quarters listed above capture average quarterly activity for preceding four quarters (e.g., SFY13Q1 includes activity from SFY12Q2 – SFY13Q1) and are normalized for differences in processing weeks

Net Pharmacy Expenditure Trends



After adjusting for rebates and federal share of net drug spending, average weekly related state appropriations increased from \$3.6M in SFY13Q1 to \$4.5M in SFY15Q1

BREAKDOWN OF AVG WEEKLY DRUG EXPENDITURES



Quarterly State Appropriation
\$3.6M/week times 13 weeks

Quarterly State Appropriation
\$4.5M/week times 13 weeks

= \$47M

= \$58M

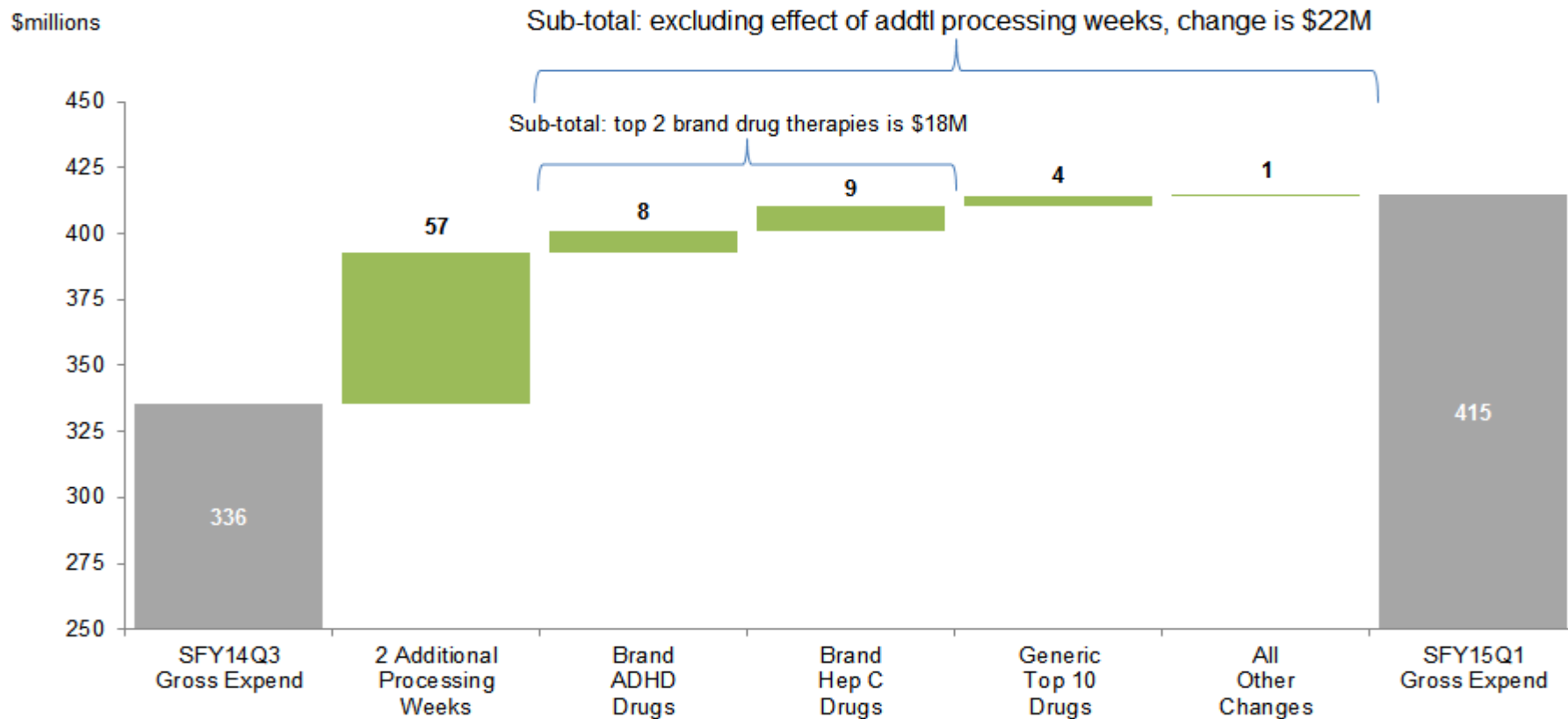
Expenditure and rebate data from BD701; to allow for most meaningful comparisons, quarters listed above capture average quarterly activity for preceding four quarters (e.g. SFY13Q1 includes activity from SFY12Q2 – SFY13Q1) and are normalized for differences in processing weeks
To isolate impact of drug activity, average FMAP during this period of 65.77% was used for all periods (actual FMAP ranged from 65.58% to 65.89%, so impact was negligible anyway)

Recent Gross Drug Expenditure Analysis



Over last two quarters, gross drug spending has increased by \$79M from \$336M in SFY14Q3 to \$415M in SFY15Q1

Total change in gross drug expenditures from SFY14Q3 to SFY15Q1 is \$79M



Pharmacy Expenditure Benchmarks



When compared to national averages, NC's overall ranking is mixed compared to other states

- Current estimated acquisition cost of wholesale acquisition cost + 2.7% is in middle of pack, with 53% of other states having lower rate
- Current brand professional dispensing fee of \$1.94 is lower than 94% of all other state Medicaid pharmacy programs' brand fees, making it one of lowest in country
- Weighted average generic fee of \$7.04 is higher than 84% of other state Medicaid pharmacy programs
- Overall, NC has achieved a high generic dispensing rate of 82.9% compared to a national average of 81%

DMA Pharmacy Cost Savings Initiatives



Maximize rebate-driven savings.

Move brand-name drugs to preferred status

Completed: ADHD agents and beta-adrenergic agents (e.g., asthma inhalers)

In process:
Anaphylaxis therapy agents

Minimize budgetary impact of high-cost specialty drugs.

Implement reimbursement strategies to mitigate costs and lower overall net expenditures

Develop clinical criteria & utilization management strategies to ensure

Continue detailed expenditure and rebate research.

Working with fiscal agent and Magellan to identify underlying cost growth causes

Monitor cost savings initiatives

Preferred vs. Generic Drug Comparisons



After adjusting for rebates, certain brand medications have a lower net cost compared to generics, providing significant savings for DMA

MEDICATION	GROSS PAID AMOUNT/Rx	REBATE/Rx	NET PAID AMOUNT/Rx	SAVINGS/Rx	PROJECTED CLAIMS	PROJECTED SAVINGS
Brand Drug A®	\$283.22	\$198.87	\$84.35	\$80.05	24,296	\$1,944,894
Generic Drug A	\$189.41	\$25.01	\$164.40			
Brand Drug B®	\$318.12	\$230.29	\$87.83	\$164.81	21,136	\$3,483,424
Generic Drug B	\$265.70	\$13.06	\$252.64			
Brand Drug C®	\$507.92	\$359.62	\$148.30	\$236.48	534	\$126,280.
Generic Drug C	\$425.90	\$41.12	\$384.78			
Brand Drug D®	\$1,834.07	\$1,784.00	\$50.07	\$880.75	537	\$472,962
Generic Drug D	\$1,001.58	\$70.76	\$930.82			
Brand Drug E®	\$79.41	\$74.74	\$4.67	\$30.72	12,451	\$382,494
Generic Drug E	\$36.58	\$1.19	\$35.39			

Drug names not provided due to proprietary and confidentiality of manufacturer rebate information

Finance Organization Realignment



- All key finance management positions are filled or will be filled by calendar year end
- New roles and responsibilities are being implemented within Budget, F&A and FP&A

